United Nations A/67/350

General Assembly

Distr.: General
5 September 2012

Original: English

Sixty-seventh session
Item 130 of the provisional agenda*
Programme budget for the biennium 2012-2013

Tenth annual progress report on the implementation of the capital master plan

Report of the Secretary-General

Summary

The tenth annual progress report on the capital master plan is submitted pursuant to section II, paragraph 34, of General Assembly resolution 57/292, paragraph 53 of resolution 65/269 and section III of resolution 66/258.

Since the issuance of the ninth annual progress report (A/66/527), the project has achieved a critical milestone: the completion and occupancy of the Secretariat Building. Beginning in July 2012, staff began to reoccupy floors of the Secretariat Building in a process that is scheduled to be largely complete in November 2012. As of mid-September, over 1,000 staff had moved back to the Secretariat Building. In the months leading up to the reoccupancy, key tasks were completed on schedule, including the completion of the glass curtain wall, installation and commissioning of the basement infrastructure that services the Secretariat Building, fit-out of the floors and preparation of the building for occupancy. Significant progress was also made over the past year on the renovation of the Conference Building, the completion of which is scheduled to take place in December 2012, with occupancy in early 2013. The General Assembly building is scheduled for renovation in early 2013 and completion in mid-2014.

A notable success of the capital master plan is that, since the previous report, renovation work has proceeded on schedule, including the completion of the Secretariat Building within three months of the schedule developed in mid-2007 (A/62/364, table 2), even though the renovation of the building started late owing to swing space expansions.

* A/67/150.

12-49954 (E) 111012

Please recycle

The financial position of the project has remained steady. As at 31 July 2012, four years into the construction phase, the cost to complete the original scope of the project is 12.8 per cent above the approved budget as authorized by the General Assembly in December 2007 (resolution 61/251).

In response to the request by the General Assembly that the Secretary-General make every effort to avoid budgetary increases through sound project management practices and to ensure that the capital master plan project is completed within the approved budget, the present report includes, for consideration by the General Assembly, proposals to reduce or offset the project costs and to address financial issues of the project, which, if approved, would allow the project to proceed to completion without an additional assessment.

The present report also provides an update on the status of the associated costs and the secondary data centre requirements. These costs were not included in the original scope of work or in the approved capital master plan budget. Every effort will continue to be made to absorb the associated costs within the budget. However, given the current stage of implementation of the capital master plan and the significant requirements for associated costs, this objective is unlikely to be met. Detailed resource requirements and expenditure for the associated costs are presented in the addendum to the present report (A/67/350/Add.1).

It is proposed that the final expenditures for the associated costs and the secondary data centre for the biennium 2012-2013, as well as the accumulated expenditures for the period from 2008 to 2011, be reported to the General Assembly at its sixty-eighth session. It is also proposed that the General Assembly consider the funding of these consolidated costs in conjunction with the second performance report on the proposed programme budget for the biennium 2012-2013.

As regards the financing of the capital master plan project, the associated costs and the secondary data centre, the Secretary-General requests the extension of the approved commitment authority for 2012 into 2013 for the balance of requirements, and requests the approval of the General Assembly for additional commitment authority for 2013 in the amount of $167,773,400.

I. Introduction

1. The strategy for the capital master plan was approved by the General Assembly in December 2007, in its resolution 62/87. The construction phase of the project commenced in May 2008 and is scheduled to be completed in late 2014. The present report provides an update on the status of the project since the issuance of the ninth annual progress report (A/66/527) in October 2011.

2. The total project budget for the capital master plan, in the amount of $1,876.7 million, was approved by the General Assembly in December 2006 in its resolution 61/251. The decision was based on the selection of implementation strategy IV, which was the Secretary-General's recommendation of the four proposals set out in his third annual progress report (A/60/550 and Corr.1 and 2 and Add.1).

3. In 2007, the Secretary-General updated the estimated project cost in the light of price escalation arising from the delayed commencement, and in his fifth annual progress report (A/62/364 and Corr.1) presented the revised project cost of $2,096.3 million, a projected increase of $219.6 million. In the same report the Secretary-General also presented revisions to implementation strategy IV.

4. The revised approach left the general renovation scope unaltered, but proposed accelerating implementation by reducing the phasing of construction. Accelerated strategy IV, as it was termed, was expected to partially offset (by $29.5 million) the projected increase and reduce the schedule by two years, and value engineering efforts could be initiated to mitigate further the projected increase.

5. Accelerated strategy IV was approved by the General Assembly in December 2007, in its resolution 62/87, without any increase to the approved total project budget of $1,876.7 million. The present report explains the project's progress against accelerated strategy IV and the total project cost of $1,876.7 million.

II. Progress since the ninth annual progress report

A. Progress on renovation work

6. The renovation work on the Secretariat and Conference Buildings began in February and May 2010, respectively. The work in the Conference Building was paused when the Organization's facilities in various locations in the world were attacked and the threat level against Headquarters was raised. A voluntary contribution from the host country permitted the implementation of increased security measures and the work was restarted. The resultant design for the entire compound was significantly strengthened; however, the transition gave rise to an approximately one-year delay in the schedule. Completion of renovations on individual floors of the Secretariat Building began in July 2012, and all the floors are projected to be completed and reoccupied by late November 2012. The work on the Conference Building will be completed in December 2012. Significant portions of the renovation work in the basements have been completed, with all work on the basements scheduled to be completed in early 2013. The renovation of the General Assembly Building will commence in early 2013 and finish by mid-2014.

7. The major infrastructure work in the basements is being undertaken in three phases, running from north to south. Phase 1 was completed in April 2009 and Phase 2 in 2011. Phase 3 commenced in the summer of 2011 and is scheduled to be completed in early 2013. The new systems are being installed while some of the old systems are being maintained for parts of the complex still in use. This has posed challenges, but the process will be simplified and risks will be lowered in early 2013 when the General Assembly Building closes for renovation.

8. Since the issuance of the previous report, the replacement of the glass curtain wall in the Secretariat and Conference Buildings was completed. New glass curtain wall systems for the General Assembly Building have been designed and procured and are being fabricated for installation starting in the early part of 2013 and continuing for approximately one year.

9. The installation of audiovisual and congress microphone systems for the renovated conference rooms was under way when the present report was under preparation. Installation of central systems that coordinate, control and store audio and video data was also under way and will be integrated into the renovated Conference Building in late 2012. The Secretariat will capitalize on the opportunity presented by the capital master plan to introduce an electronic nameplate system in conference rooms, in support of the paper-smart initiative. The use of these electronic systems will enhance conference operations.

B. Occupancy of the Secretariat Building

10. In paragraph 18 of its resolution 65/269, the General Assembly requested the Secretary-General to ensure that the process of the relocation of Secretariat staff from office swing space was carried out in the most effective and timely manner, taking full advantage of the lessons learned during the project in order to avoid delays.

11. Following a 30-month period in which the Secretariat Building was completely renovated and modernized, the reoccupancy process for staff commenced in July 2012.

12. Staff were relocated on selected weekends commencing on 7 July 2012. The process will be largely complete in November 2012. As of mid-September, over 1,000 staff had been relocated to the renovated Secretariat Building. Initial reactions to the renovated floors and offices were positive: staff members were pleased with the increased levels of light, the more transparent and collegial nature of the open office system, and the improved facilities.

C. Relocations from swing space

13. By the end of November 2012, the relocation of staff into the renovated Secretariat Building will have been completed. Efforts will turn to relocating staff from those swing space buildings which are scheduled to be fully vacated.

14. Swing space leases were entered into in 2007 and 2008 in accordance with accelerated strategy IV following the postponement of the proposed development of an office tower for United Nations use, referred to as UNDC-5, which would have provided a single swing space. At that time, the rental market was highly active and

the Secretariat needed to mitigate the risk of the Organization being without office space in the event that construction delays prevented the restacking of the Secretariat Building beyond the termination of swing space leases. In addition, the Organization anticipated continued expansion, and thus continued demand, for off-campus office space beyond the period of the capital master plan. A decision was taken by the Department of Management to lease space for an adequate amount of additional time beyond 2012 to accommodate a construction delay and future space requirements.

15. Table 1 below provides details of the four swing space locations and their leases.

Table 1
Swing space lease details

Building	*Lease commencement*	*Lease expiration*
305 East 46th Street (Albano Building)	24 July 2007	23 July 2017
380 Madison Avenue	29 February 2008	25 January 2014
United Nations Federal Credit Union (UNFCU) Building, Long Island City	14 February 2008	30 April 2018
730 Third Avenue	30 June 2009	31 December 2013

16. Over the past year, plans for the location of occupants of the off-site spaces were finalized, and preparations have been under way for the termination of leases at the swing space buildings on Madison and Third Avenues. An option has been exercised to terminate the lease on 250,000 square feet in the building at 380 Madison Avenue on 31 May 2013 and the Secretariat is in the process of negotiation for further early termination rights for leases on both 380 Madison Avenue and 730 Third Avenue. A contractual early termination clause does not exist for 730 Third Avenue. On the other hand, the other leases of the capital master plan, the Albano Building and the United Nations Federal Credit Union Building, will be retained.

17. The Secretary-General confirms that the lessons learned from previous moves have been taken into consideration and that preparations are under way for the remaining offsite moves required to complete the capital master plan.

18. In a cost-saving measure that will benefit the budget of the capital master plan, as well as office space requirements at Headquarters, the Organization has decided to retain the UNFCU Building under lease, in order to retain consolidated space for the Office of Information and Communications Technology and rooms for the Office of Human Resources Management. This decision will result in the avoidance of early termination penalties. The Albano Building lease continues until the end of July 2017, at which time it will either be extended or terminated as a part of the medium-term office requirements strategy. The capital master plan budget covers office swing space limited to the capital master plan period.

III. Schedule

19. The Secretary-General is pleased to report that the capital master plan has maintained the schedule reported in the ninth annual progress report.

20. As indicated in table 2 below, the Secretariat Building was completed within three months of the schedule set out in the fifth annual progress report (A/62/364), which was developed in 2007. It is a significant and notable achievement that, over the course of a five-year project period, the Secretariat was completed only three months later than originally forecast.

21. The schedule in table 2 indicates that the overall capital master plan, with the exception of the Library and South Annex Buildings, is projected to be completed approximately one year behind the original schedule set out in the fifth annual progress report. The delay of one year is due to the reassessment of security protection, which was undertaken by the United Nations and the host country, as described below. The consequence of the required redesign was a one-year delay in the completion of the Conference Building, and therefore the General Assembly Building. It is proposed to suspend renovation on the Library and South Annex Buildings on the security grounds described in paragraphs 37 and 38 below.

Table 2
Projected schedule of the capital master plan

	As set out in A/62/364		*As set out in A/63/477*		*As set out in A/64/346*		*As set out in A/65/511*		*As set out in A/66/527*		*Current projection*		
Activity	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Status*
Construction of North Lawn Building	Early 2008	Mid-2009	Early 2008	Mid-2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Completed
Secretariat Building	Early 2009	Early 2012	Early 2009	Early 2012	Late 2009	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Completed
Conference Building	Mid-2009	Mid-2011	Mid-2009	Mid-2011	Late 2009	Late 2011	Early 2010	Early 2012	Early 2010	Late 2012	Early 2010	Late 2012	On track for completion as in the schedule set out in A/66/527
General Assembly Building	Mid-2011	Mid-2013	Mid-2011	Mid-2013	Late 2011	Late 2013	Early 2012	Late 2013	Early 2013	Mid-2014	Early 2013	Mid-2014	On track for completion as in the schedule set out in A/66/527
South Annex Building	Early 2011	Early 2012	Early 2011	Early 2012	Late 2011	Early 2013	Early 2012	Mid-2013	–	–	–	–	Suspended
Library Building	Early 2012	Early 2013	Early 2012	Early 2013	Early 2013	Late 2013	Early 2012	Late 2013	–	–	–	–	Suspended
Site landscaping	Mid-2011	Mid-2013	Mid-2009	Mid-2013	Mid-2011	Late 2013	Mid-2011	Mid-2013	Mid-2011	Mid-2014	Mid-2011	Mid-2014	On track for completion as in the schedule set out in A/66/527
Renovation of United Nations Headquarters	Early 2008	Mid-2013	Early 2008	Mid-2013	Late 2008	Late 2013	Mid-2008	Late 2013	Mid-2008	Mid-2014	Mid-2008	Mid-2014	On track for completion as in the schedule set out in A/66/527

IV. Accountability

A. Governance

22. In its resolution 66/258, the General Assembly stressed that accountability was a central pillar of effective and efficient management that required attention and strong commitment at the highest level of the Secretariat, as defined in paragraph 8 of its resolution 64/259.

23. The Under-Secretary-General for Management is responsible for the successful delivery of the capital master plan and has a proactive role in monitoring and supervising the progress of the capital master plan to ensure that the remaining portions of the project will be delivered on schedule and that project costs are kept as close as possible to the originally approved budget.

24. The Executive Director of the capital master plan, who at the Assistant Secretary-General level reports to the Under-Secretary-General for Management, is entrusted with and is accountable for day-to-day management of the project.

25. In accordance with General Assembly resolution 64/228, a Steering Committee on Associated Costs was established in 2010 to ensure close coordination among departments involved in the capital master plan. Chaired by the Under-Secretary-General for Management, the membership comprises senior representatives of the Department for General Assembly and Conference Management, the Department of Public Information, the Office of Central Support Services, the Office of Information and Communications Technology and the Department of Safety and Security. Representatives from the Office of the Capital Master Plan and the Office of Programme Planning, Budget and Accounts participate on the Committee on an ex officio basis.

B. Oversight and audits

26. In addition to the governance arrangements noted above, the Board of Auditors and the Office of Internal Oversight Services (OIOS) have continued their audits of the project.

27. The Board of Auditors audited the capital master plan project from February to April 2012. In its annual report on the audit of the capital master plan for the 12-month period ending 31 December 2011, the Board stated that the lack of transparent, timely and robust cost forecasting presented a barrier to effective decision-making by those charged with governance, which could lead to further project costs and delays. The Board also stated that it was unable to give assurance that the Administration's anticipated final cost for the project was based on a comprehensive methodology, and that it considered that the final cost was likely to be higher than currently reported (see A/67/5 (Vol. V), summary).

28. In its response, the Department of Management voiced objection to this assessment. The Department concurred with the opinion of OIOS, which in its recent in-depth technical construction audit (A/67/330) found that the Office of the Capital Master Plan managed and controlled the capital master plan project appropriately, given its size, complexity and duration. In the view of the Department, the project is presently managed with clear lines of accountability and has reported costing information and budgeting changes transparently and accurately. The "delay" in the reporting of the cost increase between the ninth

annual progress report and the first part of the resumed sixty-sixth session, in March 2012, is explained in section VII.B below. Personal accountability of senior managers for the outcome of the project ensures robust decision-making and timely execution of decisions. The project team is supported by consultants whose technical expertise is valuable to ensure cost control and completion of scheduled tasks on time.

29. Within the established reporting structure of the Secretariat, the Office of Programme Planning, Budget and Accounts reviews the annual progress reports of the Secretary-General on the capital master plan before submission to the General Assembly.

30. Positive actions have been taken by the Office of the Capital Master Plan in response to these and other important issues identified by the Board of Auditors and OIOS. The Office took stock and comprehensively reviewed the cost estimates of the project, including estimates for: (a) remaining project risks; (b) potential change orders until project completion; (c) acceleration of activities to meet the project schedule; (d) claims that have been submitted and an allowance for future claims; and (e) up-to-date estimates for remaining guaranteed maximum price contracts. The Office revalidated prices and revisited the level of contingency. Every effort will be made to limit user-driven changes in the Secretariat Building, and it is the responsibility of each department head for funding late changes after initial plan approval. Financing proposals based on the comprehensive review of the cost estimates and the timeline to complete are presented in section XII below for the consideration of the General Assembly.

31. In section III of its resolution 66/258 the General Assembly requested the Secretary-General to entrust OIOS to undertake an in-depth technical construction audit of the capital master plan, emphasizing the circumstances that led to the estimated cost overrun of $433 million, and to report the results to the Assembly at the beginning of the main part of its sixty-seventh session. An independent professional services firm was contracted by OIOS to provide a third-party assessment of the construction cost, reasonableness of cost overruns, potential cost recovery measures and lessons learned.

32. The eight-week technical construction audit, which commenced in May 2012, was conducted on site at the Office of the Capital Master Plan. In its audit report, OIOS noted that the cost overruns were justifiable given the change in execution strategy, increased security requirements and unbudgeted associated costs. OIOS concluded that the costs were reasonable from the perspective of securing market prices and efficiently procuring the scope of services through competitive processes or through negotiation of unit rates established in the various contracts. The audit reviewed the expenditure incurred by the project as well as cost estimates for the remaining project scope. It was concluded that of the approximately $1.1 billion in construction contracts awarded to date, approximately 90 per cent were competitively procured in accordance with United Nations policies. The remaining 10 per cent represented change orders, which were approved based on rates that were determined through the bidding process.

33. On the matter of cost-saving initiatives and the estimated cost to complete, OIOS concluded that the Secretariat had undertaken various efforts to mitigate cost escalation, including several value engineering exercises and ongoing change order cost control. OIOS analysed construction payment applications and change orders to determine reasonableness and identify potential areas of cost recovery in addition to measures previously implemented by the Secretariat. It was recognized that the Office

of the Capital Master Plan had been diligent in reviewing monthly pay applications and change orders. The audit identified isolated potential cost impact issues and recommended that the possibility of cost recovery for those isolated cases be explored.

34. In response to the recommendation by OIOS, the Secretariat has undertaken a review of the findings and is in the process of developing an action plan to implement the recommendations. A number of recommendations are to be applied to future capital projects, and the Secretariat will put a process in place to implement those recommendations.

C. Advisory Board of the Capital Master Plan

35. As directed by the General Assembly in its resolution 57/292, an advisory board was established by the Secretary-General in December 2009. The Advisory Board at present consists of representatives of Brazil (Jayme Zettel), India (K. T. Ravindran), Kenya (Susan Kibue), Switzerland (Anna Torriani) and the United States of America (Kent Barwick). The Advisory Board has met six times in total and once since the publication of the ninth annual progress report. At the sixth meeting, held from 8 to 10 February 2012, the members of the Advisory Board were briefed on the project and had an opportunity to observe and discuss the construction in progress. The seventh meeting of the Advisory Board is scheduled to take place from 12 to 14 September 2012, with the Advisory Board to receive a complete update on the status of the project, as well as detailed briefings and presentations on the design of the First Avenue line of protection, the design of the renovation of the General Assembly Building, and the site and landscaping plans.

V. Security

36. As authorized by the General Assembly, and as previously reported, the capital master plan will include a number of upgrades designed to improve the security of the United Nations complex and the safety of delegates, staff and visitors. It was reported in the ninth annual progress report that, in addition to those initiatives, the host country had provided funding for enhanced security upgrades to the Conference Building, which have since been installed. The host country also provided funding to erect a line of protection along the western perimeter of the complex to reduce the vulnerability of the buildings facing First Avenue. The design work for the line of protection from 42nd to 45th Streets was completed in mid-2012, and in July 2012 the Host City provided the necessary approvals for this work, which will be installed outside the United Nations property line. Construction work will commence upon the completion of the general debate at the sixty-seventh session of the General Assembly (in 2012). The work from 45th to 48th Streets will be installed at the conclusion of the General Assembly phase of the project, in mid-2014.

37. Following increased threats to the Organization in 2010, discussions continued with host country authorities concerning protection requirements on the southern perimeter of the United Nations complex, namely, the Library and South Annex Buildings. As stated in the ninth annual progress report, studies were undertaken into the level of protection that can be provided for those buildings. Concerns about constructability for resilience to blast threats emanating outside the complex resulted in the suspension of design work on both buildings, pending resolution of the security issue.

38. The Secretariat will continue to consult with the appropriate host country authorities on resolving protection requirements of the Organization. However, it does not make sense to invest an estimated $65 million in the renovation of these two buildings while the matter remains unresolved. Therefore, since no agreement has been reached with the appropriate host country authorities to date, and given the projected completion of the capital master plan within less than 24 months of the date of publication of the present report, the design and renovation of these two buildings will continue to be suspended.

VI. History of the budget of the capital master plan

39. Six years have elapsed since the budget for the project was established by the General Assembly. As explained in section I above, when accelerated strategy IV was approved by the General Assembly in December 2007, the estimated cost to complete was $219.6 million higher that the project budget of $1,876.7 million that had been approved by the General Assembly the previous year, based on strategy IV (A/62/364, table 1). This was equivalent to an 11.7 per cent shortfall in funding with respect to the estimated total cost of the project at that time. As explained in the fifth annual progress report, there were three reasons for the increase in the total cost to complete. Most of the additional projected cost increases were due to the slippage of the schedule. Consequently, the impact of inflation on construction and rental costs was exacerbated. The second reason was the rapid acceleration of rents for commercial office space in the United Nations area of New York City. The third was the fact that the actual construction estimates for some of the work increased (A/62/364, para. 23).

40. As noted above, the principal cause was the slippage of the schedule, which arose from a series of events that took place between early 2003 and late 2007, owing to the postponement of the proposed development of UNDC-5 as a single swing space. This gave rise to two years of discussion as alternative options were evaluated, with a final plan approved by the General Assembly in December 2007.

41. The original project strategy, developed in 2002, relied on swing space to be provided through the construction of UNDC-5, with a swing space rental budget of $96 million. UNDC-5 was to have provided both office and conference swing space during the capital master plan, and later serve as rental office space for the Organization. UNDC-5 was designed, and its construction costs estimated by the United Nations Development Corporation (UNDC). The proposal was presented to the General Assembly, which approved its construction.

42. However, in early 2005, local political issues changed and UNDC was unable to secure host country approval for construction of UNDC-5. In the light of the postponement of the construction of UNDC-5 as a single swing space during the capital master plan, the Secretary-General, in his third annual progress report (A/60/550 and Corr.1 and 2 and Add.1), presented a revised strategy and a revised project budget. The Secretary-General recommended the use of commercial leased office space, the construction of a temporary building on the North Lawn and the phased renovation of the Secretariat Building. This approach was referred to as strategy IV. In its resolution 60/256, the General Assembly authorized the Secretary-General to enter into commitments to provide for the construction, fit-out and related requirements of a conference swing space building on the North Lawn. In June 2006 the Assembly reverted again to the issue and approved strategy IV, including the

phasing, swing space and cost, but deferred consideration of the financing of the project cost until the main part of the sixty-first session (resolution 60/282).

43. The fourth annual progress report (A/61/549) provided revised cost estimates for strategy IV and proposed a solution to the financing question, which had caused a significant delay in the overall approval of the project by the General Assembly. In December 2006, the General Assembly established the budget of the capital master plan at $1,876.7 million for a seven-year project that would keep the Secretariat partially occupied during the renovations (resolution 61/251).

44. In the fifth annual progress report (A/62/364 and Corr.1), submitted to the General Assembly in 2007, an accelerated strategy IV was proposed, which entailed the renovation of the Secretariat Building in a single phase. This proposal reduced the duration of the project to five years and relied on a larger quantity of off-campus office space. Revised estimates were provided for the total cost to complete of $2,096.3 million, or $219.6 million in excess of the approved budget of $1,876.7 million.

45. In December 2007, the General Assembly authorized the Secretary-General to enter into an additional swing space arrangement needed for a single-phase renovation of the Secretariat Building, and approved changes in the renovation schedule of the Secretariat, Conference and General Assembly Buildings, but requested the Secretary-General to ensure by all means that the project costs were brought back within the approved budget (resolution 62/87). The endorsement of accelerated strategy IV included an understanding that the project was underfunded.

46. In March 2012, at the first part of its resumed sixty-sixth session, the General Assembly, in section III, paragraph 8, of its resolution 66/258, requested the Secretary-General to report to it on the underlying causes of the projected increases and urged him to robustly contain such overruns, and reiterated its request that the Secretary-General make every effort to avoid budgetary increases through sound project management practices and to ensure that the capital master plan project is completed within the budget as approved in its resolution 61/251, as a matter of urgency.

VII. Analysis of cost increases and funding shortfalls

A. Background

47. The present section provides explanations for the cost increases identified between the preparation of the ninth annual progress report (which relied upon data from May 2011) and the provision of updated information to the Fifth Committee during the first part of the resumed sixty-sixth session, in March 2012.

48. The ninth annual progress report on the implementation of the capital master plan presented the estimated cost to complete, which incorporated actual recorded expenditure up to and including May 2011, as this was the most recent full month of financial data available at the time the report was being prepared. The report was submitted and considered by the Advisory Committee on Administrative and Budgetary Questions in October 2011. The General Assembly deferred consideration of the ninth annual progress report until the first part of the resumed sixty-sixth session in March 2012.

49. In accordance with customary practice and the expectations of intergovernmental bodies, the Secretariat provided the most current and up-to-date project cost estimates as at February 2012 at the first part of the resumed session in March 2012. The updated information showed an increase in the project cost and estimates from those reported in the ninth annual progress report.

50. A comparison of the projected shortfall for the completion of the capital master plan, including associated costs and the cost of constructing the secondary data centre, as at 31 May 2011 and 28 February 2012, is set out in table 3 below.

Table 3
Overview of projected shortfall for the completion of the capital master plan, including associated costs and the cost of constructing the secondary data centre as at 31 May 2011 and 28 February 2012
(Millions of United States dollars)

	As at 31 May 2011	*As at 28 February 2012*	*Variance*
Projected shortfall	74.3	227.7	153.4
Rental of office space from October 2012	42.5	38.0[a]	(4.5)
Subtotal, capital master plan projected shortfall[b]	**116.8**	**265.7**	**148.9**
Secondary data centre	20.7	20.7	–
Associated costs	146.8	146.8	–
Subtotal, secondary data centre and associated costs shortfall	**167.5**	**167.5**	–
Total shortfall	**284.3**	**433.2**	**148.9**

[a] The amount was rounded to the closest million. The actual adjusted rent estimate is $37.8 million.
[b] Excludes the scope and costs related to donations.

51. As shown in table 3 above, in the ninth annual progress report, the cost to complete the project was estimated at $74.3 million over the approved budget of $1,876.7 million. When rental costs for office space are included, the estimated cost overrun against the approved budget amounted to $116.8 million. The additional elements of costs from associated activities and the creation of the secondary data centre (see section VIII.B below), neither of which were included in the original scope of work or approved budget of the capital master plan, were estimated at $167.5 million. When added to the estimated project cost shortfall, the consolidated shortfall against approved resources for the capital master plan amounted to $284.3 million.

52. Updated financial information as at February 2012 was provided to the General Assembly in March 2012. The estimates for associated costs and the secondary data centre were unchanged because the data centre's ongoing operational requirements were being met from resources under the regular budget and the support account for peacekeeping operations (i.e. not from the budget of the capital master plan).

53. However, the estimated requirements for the project and the lease costs for additional office swing space had changed. As regards office swing space, the ninth annual progress report presented additional resource requirements of $42.5 million in lease costs beyond the scheduled duration of the Secretariat Building renovation (September 2012). As explained in paragraph 18 above, the Organization will avoid $4.7 million in early termination penalties, thereby reducing the additional requirements from $42.5 million to $37.8 million.

54. The estimated cost to complete the project as at 31 May 2011 and 28 February 2012 is set out in table 4 below. As reported to the General Assembly in March 2012, the estimated cost to complete the capital master plan increased by $148.9 million.

Table 4
Estimated capital master plan project cost as at 31 May 2011 and 28 February 2012
(Thousands of United States dollars)

	As at 31 May 2011	*As at 28 February 2012*	*Variance*
Construction	1 006 420	1 120 050	113 630
Use of construction contingency	41 794	70 977	29 183
Professional fees, management costs	326 994	367 828	40 834
Contingency and escalation	89 084	59 176	(29 908)
Subtotal, renovation	**1 464 292**	**1 618 031**	**153 739**
Office swing space	267 924	267 614	(310)
Subtotal, variance as reported during the resumed sixty-sixth session (see table 3)			**153 429**
Leases from 1 October 2012	42 500	38 000	(4 500)
Use of office swing space contingency	24 648	24 648	–
Library swing space	2 714	2 714	–
Conference swing space	150 475	150 475	–
Use of conference swing space contingency	41 368	41 368	–
Subtotal, swing space	**529 629**	**524 819**	**(4 810)**
Total, project cost	**1 993 921**	**2 142 850**	**148 929**
Scope funded by donations[a]	10 500	10 689	189
Total project cost including donations	**2 004 421**	**2 153 539**	**149 118**
Enhanced security upgrades	100 000	100 000	–
Total including enhanced security upgrades and donations-related construction	**2 104 421**	**2 253 539**	**149 118**

[a] As reported to the Fifth Committee during the resumed session of the General Assembly in March 2012, the scope funded from the donations increased from $10.5 million to $10.7 million. The variance therefore includes the estimated cost of additional scope funded from the donations.

B. Explanation for "delayed" reporting of cost variances from May 2011 to February 2012

55. In section III, paragraph 7, of its resolution 66/258, the General Assembly expressed concern about the sudden and unexplained increase in the cost overrun of the project, which represented a projected increase of 23 per cent of the total approved budget, and the lack of transparent and timely information provided to the General Assembly on the evolution of the project budget, forecasts, risks and projected overruns. It should be noted that there are sound business reasons for delaying the publication of the unconfirmed, estimated cost of guaranteed maximum price contracts. Most cost increases in the capital master plan resulting from guaranteed maximum price negotiations have been reported. The Administration has always maintained the business decision to publish figures only after the guaranteed maximum price and bidding process is complete, in order to protect the Organization's interest and to obtain the most competitive pricing.

56. Guaranteed maximum price contracts proposed by the construction trades and construction manager are often tens of millions of dollars higher than the final, agreed-upon price. The agreement to a guaranteed maximum price contract requires intense negotiation with the construction manager, after detailed estimation of the project cost. In the case of the Secretariat Building, the original guaranteed maximum price contract proposal started at over $300 million, which was later negotiated down to $259 million, and later further reduced through negotiations to a guaranteed maximum price contract of $206 million. In the case of the Conference Building, the initial estimate received from the construction manager was over $190 million. Although the scope increased, the United Nations managed to successfully negotiate to a guaranteed maximum price contract of $109 million. Most of the guaranteed maximum price contracts followed this pattern.

57. Owing to the fact that the project spans a number of years and to the large number of guaranteed maximum price contracts that must be negotiated, the Secretariat exercises a high level of confidentiality in negotiation of its guaranteed maximum price contracts to ensure the best deal possible for the Organization. During the course of the negotiations and the subsequent bidding process with each subcontractor the market is very sensitive to any information on estimated project cost.

58. The Organization conducted additional security risk studies in the first half of 2010, after a series of attacks on United Nations premises. By May 2010, the Administration recognized that the compound was at significant risk. The Office of the Capital Master Plan determined that it must slow down construction to complete the studies, develop protective concepts and incorporate the new concepts into the designs. By January 2011, the enhanced security upgrade to protect the United Nations at higher blast levels was designed and work was under way to incorporate the reinforcement into the capital master plan.

59. Owing to the security-related slowdown, the condition of the infrastructure and concrete of the Conference Building was not clear until late 2011. Many of the new findings in the Conference Building were then incorporated into the construction documents of the General Assembly Building, and a rough estimate of the potential cost of the guaranteed maximum price contract was incorporated into the capital master plan budget in late 2011 and early 2012.

60. In the basements, the incorporation of additional security enhancements also required a slowdown to take into account necessary design changes. A thorough value engineering effort identified savings for the work; however, when the guaranteed maximum price contract was signed in January 2012, it was over budget.

61. The work in the Secretariat Building was progressing very rapidly during this period. The cost estimates for this part of the project also rose, albeit at a more modest level.

C. Explanation for cost variances from May 2011 to February 2012

62. The increase of $148.9 million in the capital master plan project cost (see table 3) from May 2011 to February 2012 was the result of several factors, the most significant of which were as follows:

(a) **Discovery of existing site conditions which resulted in an unanticipated increase in the projected cost ($70 million).** While the construction phase of the project began in 2010, the conditions in the Conference Building and basements could not be fully assessed until they were stripped bare as part of the demolition process, which was delayed, as discussed above, to take into account security considerations. It was only after this was completed in mid-2011 that the conditions of the concrete and the magnitude of required asbestos abatement were fully visible. When these conditions were incorporated into the design, the projected cost for the Conference Building increased by $24 million, the General Assembly Building by $31 million, pending a guaranteed maximum price agreement, and the Secretariat Building by $15 million;

(b) **Complications of undertaking basement renovation infrastructure work in a partially occupied compound ($33.8 million).** The original budget estimates presented to the General Assembly in 2006 were based on an approach whereby entire portions of the basements would be unoccupied, requiring only a minimal degree of support services. As the project implementation progressed, complications resulting from carrying out renovation work in partially occupied basements became apparent, leading to an increase in the guaranteed maximum price by $33.8 million;

(c) **Project management and design services ($38.1 million).** During the course of the project, the schedule changed to take into account unforeseen events and conditions. Consequently, project management and design consultancy services were extended to bring them into alignment with the new schedule. This gave rise to an additional cost of $38.1 million;

(d) **Cost increases in other areas ($7.0 million).** The increase in the estimated cost of site work and landscaping by $7.0 million arose because of the redesign and implementation of the enhanced security upgrade, as discussed above, which resulted in a one-year delay in the completion schedule.

D. Explanation of estimated cost increases from the time of approval of the budget in 2006 to February 2012

63. In its audit of the capital master plan,[1] OIOS reported that the project's overall construction budget decreased slightly, while the swing space budget increased by 146 per cent.

64. Table 5 below provides an overview of the cost to complete the project as at February 2012 and the increase in the project cost using the budget approved by the General Assembly at its sixty-first session as the baseline. The analysis follows industry standards in that it identifies all construction costs, including fees, administrative costs and contingency separately from all swing space costs.

65. As at February 2012, the cost to complete the capital master plan project had increased from $1,876.7 million to $2,142.4 million, representing a projected cost overrun of by $265.7 million, or 14.2 per cent (see table 5 below).

Table 5
Overview of the estimated project cost as at February 2012
(Thousands of United States dollars)

Description	*Estimated cost of approved strategy IV (2006)*[a]	*Estimated cost to complete the project (as at February 2012)*[b]	*Variance*	
			(Amount)	*(Percentage)*
Construction				
Construction	891 100	1 232 000	340 900	38
Contingencies	210 900	59 100	(151 800)	(72)
Professional fees and management costs	186 900	323 400	136 500	73
Forward pricing and escalation	373 300	–	(373 300)	(100)
Subtotal, construction	**1 662 200**	**1 614 500**	**(47 700)**	**(3)**
Swing space				
Office swing space	129 000	314 200	185 200	144
Library swing space	19 400	16 900	(2 500)	(13)
Conference swing space	66 100	196 800	130 700	198
Subtotal, swing space	**214 500**	**527 900**	**313 400**	**146**
Total, project cost (excluding donations)	**1 876 700**	**2 142 400**	**265 700**	**14.2**

[a] Table 4 in document A/61/549 includes scope options as a separate line item. This has been distributed within construction line items for the purposes of comparison.

[b] The analysis shown in this column forms the basis of the OIOS audit. As noted in paragraph 64 above, the analysis follows industry standards, which means that the utilization of contingency is apportioned across categories in a different manner than is done elsewhere in the present report. Furthermore, roundings incorporated in the analysis in table 5 give rise to a difference of $450,000 on the total capital master plan project cost, which shows $2,142,400,000, as compared to $2,142,850,000 in tables 4 and 6.

[1] OIOS reviewed the projected cost to complete as at 31 March 2012. The OIOS report (A/67/330) refers to the financial analysis in table 5.

66. Table 5 indicates that swing space costs increased by $313.4 million, or 146 per cent. These were partially offset by a decrease of $47.7 million, or 3 per cent, in construction costs. The increase in swing space costs is due to the unavailability of UNDC-5 as a single swing space, which necessitated the construction of the North Lawn Building and caused rent requirements to escalate greatly, as the Administration was compelled to seek office space in the environs of the United Nations Headquarters complex, as explained in section VI above. The rental market offered little flexibility and contractual negotiation power, which limited the extent to which rental costs could be constrained.

67. The factors identified above as the causes of the recent cost increase are best understood in the context of several broader cost drivers that have contributed to the increases, which are described below.

1. Swing space

68. Owing to the postponement of construction of UNDC-5 as a single swing space, the scale of the swing space programme continued to grow, and many swing space cost drivers were generated: the volume of required swing space increased, the planned size of the temporary North Lawn Building increased, swing space security requirements grew and basement infrastructure work became more complicated.

69. The North Lawn Building was the largest single expense of the swing space campaign. As worldwide security concerns increased, the Department of Safety and Security and the host country determined that the structural and blast criteria needed to be enhanced, and that the Office of the Secretary-General must stay within the complex. Those changes resulted in the need to construct a third floor in the North Lawn Building. The size and complexity of the North Lawn Building exceeded projections.

70. The number of staff that needed to be accommodated in swing space was far greater than the early expectations, and the swing space requirements continued to grow after the capital master plan was already under way. The consequences included an increase in offsite rental costs; additional move, design and fit-out costs for the swing spaces; and additional costs to bring staff back to permanent spaces in the reoccupancy phase of the project.

71. Security standards designed for small groups of staff located off campus were upgraded by the Department of Safety and Security owing to the much larger concentrations of staff many blocks away from the main complex. Upgrades included additional security devices, on-site canine screening of deliveries and visitors, and rental of public parking space under buildings.

72. Lease terms for swing space needed to accommodate the potential for project delays. As explained in section II.C above, in the real estate market of 2007, obtaining short-term leases with flexible termination clauses to accommodate several thousand staff was not possible.

73. The accumulation of stored materials by Departments was more voluminous than expected. Garage spaces at Headquarters previously used for storage needed to be made available for parking. The result was a requirement for additional rental storage space. Most materials were relocated to rental storage in New Jersey, and storage containers were rented on the North Lawn.

2. Construction

Basements

74. The original budget projections were based upon having entire portions of the basements unoccupied and a minimal degree of support services. As the reality of working in the basements evolved, it became necessary to develop a phased approach. Complex phasing was needed to maintain the infrastructure serving the basements and the General Assembly and Library Buildings. In addition there was a need to maintain a high level of active parking.

75. The concept of basement construction on large areas of open floors needed to be modified into less efficient stages, each using less space. The required flow for safe circulation of external and internal deliveries had to be maintained throughout the work. This web of routes required continuous adjustments to the construction sequencing and overtime work to stay on schedule.

76. The process of protecting staff from construction in the constrained work spaces was extensive and expensive. The basement slabs were very porous, with hundreds of old pipe penetrations. This necessitated frequent work stoppages to plug previously unknown slab holes for pipes and wires that interfered with staff working below.

77. The basement clean-out process was more complex than expected. Much of the infrastructure was undocumented. Miles of electrical, telephone and security cables, many abandoned years ago, needed to be individually tested to ensure that the active infrastructure was not removed while the inactive was demolished. This meant that the new installations, the interim installations (for temporary uses) and the old systems that are needed until the General Assembly Building is closed all had to be maintained.

Overall site condition

78. In the years between the investigation of the site condition in 2004 and the actual commencement of construction in 2010 and 2011, the overall condition of the site deteriorated more than expected. Additional remediation measures were needed for methane gas under the slabs, contaminated ground water and off-site removal of contaminated soil (pesticides). Deteriorated site drainage systems and numerous water penetrations into the basements, especially through expansion joints, had to be addressed.

Concrete weaknesses

79. The existing concrete floor slabs were found to be constructed differently from the original design drawings. Actual load tests, which could not be conducted until the building was vacant, concluded that the concrete was incapable of being used in tension to attach the thousands of supports for the normal mechanical infrastructure. This required chopping through perimeter concrete to expose the steel beams, additional lead abatement and the application of new fireproofing, in order to permit the welding of thousands of new steel connection plates.

Beam penetrations

80. Beam penetrations are required for infrastructure to pass through steel beams. After the asbestos-laden ceilings were removed, the number of existing beam penetrations above the ceiling was found to be far less than expected. New beam penetrations were needed, and each beam penetration required concrete encasement removal, lead stripping, new steel reinforcement and reapplication of fireproofing.

Buss duct, copper wire and pipe

81. The cost of copper dramatically escalated, from $1.25 per pound in early 2009 to $4.50 per pound in 2011. The capital master plan required the purchase of 270,000 linear feet of wire; 60,000 linear feet of heavy cable; and over 3,000 feet of heavy electrical buss duct.

Ductwork replacement

82. Much of the existing ductwork over the General Assembly was planned for reuse; however, upon further evaluation it was determined that the ductwork required full replacement.

Hazardous materials

83. The actual volume of asbestos and lead-contaminated material far exceeded cost projections. As each building was vacated, the capital master plan aggressively investigated the quantity of asbestos, as well as the strength of the concrete walls and slabs. These investigations revealed the asbestos and structural deficiencies in late 2011. After removal of existing interior walls, materials containing asbestos were discovered behind many exterior wall systems, and as ceilings were dropped, it was found that over the years asbestos had fallen off pipes, so entire ceilings were contaminated. New laws enacted by the host city in 2010 imposed more stringent abatement protocols. The capital master plan committed to the General Assembly and to staff that the most stringent procedures would be applied to the project.

84. To assure staff about the abatement process, thousands of extra air quality tests were conducted. Under the new laws, maintenance of a fire watch in all work areas on all shifts is required. The cost of the fire watch was significant. To meet the host city safety standards for abatement, the work was phased in each separate area, rather than carrying out a one-phase process.

3. Security factors

85. In addition to the swing space security factors described in paragraph 71 above, security requirements for the project escalated owing to amendments to security standards and unforeseen construction logistic requirements. The site security plan was continually adjusted to meet construction logistics changes required to accommodate the Organization's existing programme of work. Adjustment, relocation and staffing of screening points for worker and delivery screening proved more costly than anticipated. Adjusting work and work areas to mitigate noise problems was also a contributing factor. As security concerns escalated, the need for security devices, such as cameras and electric locking systems, escalated correspondingly.

VIII. Revised estimated consolidated cost to complete the project, as at 31 July 2012

A. Capital master plan project cost

86. In response to the request contained in resolution 66/258 that the Secretary-General report on the underlying causes of the projected increases, a comprehensive estimate of the final cost of the project was made. In estimating the cost of the project, the following reviews were undertaken:

(a) A full review of all commitments to date, including accounting for all savings achieved during the trade selection process after the signing of guaranteed maximum price proposals and including all agreed additional change orders and scope reallocations;

(b) A full review of all potential commitments for items for which proposals had been presented but not yet agreed to, including reviews of the proposals against budgets included in the forward projections and in the light of current market conditions;

(c) A full review of all forward projection items for which proposals had not been received. For these items, estimates are produced and constantly reviewed with the design teams during the process to ensure that they are in line with the latest expectations and with the budget;

(d) A full review of the remaining contingency balances to determine the use of the contingency and how the remaining contingency balances aligned with the funds to be obligated for the remaining scope of work.

87. Following the review, the cost to complete the project was estimated at $2,127.8 million as at 31 July 2012, including donations but excluding the enhanced security upgrade, the associated costs and the secondary data centre. The project cost shortfall is $240.4 million, which represents 12.8 per cent of the approved budget. The shortfall was reduced by $25.8 million from the estimate as of February 2012 owing to the net reduction of the project cost by $12.8 million and the estimated rental costs by $13 million. The estimated cost to complete the capital master plan project is presented in table 6 below.

Table 6
Estimated cost to complete the capital master plan, inclusive of the scope funded from donations
(Thousands of United States dollars)

	As at February 2012	*As at July 2012*	*Variance*
Construction	1 120 050	1 112 568	(7 482)
Use of construction contingency	70 977	82 746	11 769
Professional fees and management costs	367 828	368 290	462
Contingency and escalation	59 176	41 638	(17 538)
Subtotal, construction	**1 618 031**	**1 605 242**	**(12 789)**
Swing space	267 614	267 614	–
Leases from 1 October 2012	38 000	25 000	(13 000)
Use of office swing space contingency	24 648	24 648	–
Library swing space	2 714	2 714	–
Conference swing space	150 475	150 475	–
Use of conference swing space contingency	41 368	41 368	–
Subtotal, swing space	**524 819**	**511 819**	**(13 000)**
Total, project cost	**2 142 850**	**2 117 061**	**(25 789)**
Scope funded by donations[a]	10 689	10 689	–
Total project cost, including donations	**2 153 539**[b]	**2 127 750**[c]	**(25 789)**
Project budget and donations	1 887 389	1 887 389	–
Shortfall	266 150	240 361	(25 789)
Variance (percentage)	14.1	12.7	

[a] Excludes $3 million in voluntary contributions from the Government of Qatar because the additional scope is still being determined (see para. 104 below).
[b] Comprises $2,142.9 million in total project costs and $10.7 million in voluntary contributions. An analysis of the capital master plan costs on the basis of the approved budget of $1,876.7 million but without the scope of donations yields an increase of 14.2 per cent.
[c] Comprises $2,117.1 million in total project costs and $10.7 million in voluntary contributions. An analysis of the capital master plan costs on the basis of the approved budget of $1,876.7 million but without the scope of donations yields an increase of 12.8 per cent.

88. If the original project scope and the approved budget are considered, the estimated cost to complete amounts to $2,117.1 million, which represents a shortfall of 12.8 per cent of the approved budget as authorized by the General Assembly in December 2007.

89. The estimated cost of the construction was adjusted to reflect the actual cost of work contracted and to recognize buyout savings identified and collected by the end of July 2012.

90. The use of the construction contingency and the contingency/escalation budget lines reflect transfer of cost from the remaining contingency to the actual use of the contingency.

91. The increase of $462,000 in professional fees and management costs to cover the cost of the technical audit was funded from the project contingency.

92. Table 7 presents the estimated cost for additional swing space leases in the capital master plan budget as from October 2012. The estimated lease cost in March 2012 reflects the reduction in costs for the UNFCU Building by $4.7 million to $37.8 million. The swing space costs further decreased to $24.8 million owing to a reduction identified by the Secretariat. As observed by the Board of Auditors, the actual number of personnel to be accommodated in swing space was higher than predicted owing to the increase in the number of staff, consultants and contractors. In the light of the Board's observation, $13 million of the rental cost has been charged to the rental account established in the United Nations Secretariat.

Table 7
Estimated cost for additional swing space leases from 1 October 2012
(Millions of United States dollars)

Building	*Lease expiration*	*Estimated costs presented in the ninth annual progress report as at 31 May 2011 (A/66/527)*	*Estimated costs presented at the resumed sixty-sixth session, as at 28 February 2012*
305 E 46th Street (Albano)	23 July 2017	5.0	5.0
380 Madison Avenue	25 January 2014	26.2	26.2
UNFCU Building, Long Island City	30 April 2018	5.7	0.9
730 Third Avenue (Teachers Building)	31 December 2013	5.7	5.7
Total		**42.6**	**37.8**
Charge against the Headquarters rental account			**(13.0)**
Adjusted total			**24.8**

B. Associated costs and the secondary data centre

93. During the construction period of the capital master plan, temporary increases in staffing and operational costs have been required to support construction activities. These costs, along with additional costs for furniture and equipment, were not included in the scope of the capital master plan budget approved by the General Assembly in its resolution 61/251. However, these requirements were essential to the successful completion of the capital master plan, and have been reported by the Secretary-General in annual progress reports since the sixty-second session of the General Assembly.

94. The General Assembly approved associated costs expenditures on an annual basis in successive resolutions, but decided that those expenditures would be financed from within the approved budget of the capital master plan unless otherwise specified by the General Assembly (see resolutions 63/270, 64/228 and 65/269).

95. As regards the secondary data centre, in its resolutions 63/269 and 64/228, the General Assembly requested the Secretary-General to absorb aggregate costs of $16.74 million within the approved budget of the capital master plan in order to pursue the most reliable and cost-effective risk mitigation measures during the migration of the primary data centre to the North Lawn Building.[2]

96. Table 8 below provides an overview of the total expenditure and projected requirements for the associated costs by department and office for the duration of the capital master plan, as well as the expenditure in respect of the secondary data centre that is being met from the budget of the capital master plan. Detailed information on resource requirements and expenditure for the associated costs is presented in the addendum to the present report (A/67/350/Add.1).

Table 8
Associated costs and secondary data centre requirements, 2008-2013
(Thousands of United States dollars)

Department/office	*2008-2011 (expenditure)*	*2012 (estimate)*	*2013 (estimate)*	*Total (estimate)*
Associated costs				
Department for General Assembly and Conference Management	2 272.9	665.2	–	2 938.1
Department of Public Information	25 772.0	288.1	–	26 060.1
Office of Central Support Services	21 108.6	5 564.9	2 389.8	29 063.3
Office of the Capital Master Plan	18 146.3	20 533.7	9 959.4	48 639.4
Office of Information and Communications Technology	2 035.4	631.1	–	2 666.5
Construction, alteration, improvement and major maintenance (Office of Information and Communications Technology and Office of Central Support Services)	5 446.9	580.0	230.0	6 256.9
Department of Safety and Security	18 726.9	5 804.0	2 983.4	27 514.3
Total, associated costs	**93 509.0**	**34 067.0**	**15 562.6**	**143 138.6**
Secondary data centre[a]				**15 260.1**
Total, associated costs and secondary data centre				**158 398.7**

[a] A total of $20.7 million was approved in the budget of the capital master plan (see A/66/527, table 5); however, the actual cost to be absorbed is only $15.3 million. This amount represents the difference between the actual secondary data expenditure of $19.5 million and funding from the support account for peacekeeping operations of $4.2 million.

[2] In its resolutions 63/269 and 64/228, the General Assembly also decided that $2,031,860 was to be financed from the resources to be approved for the support account for peacekeeping operations for the period from 1 July 2009 to 30 June 2010 and that the Secretary-General should include $1,254,190 in the proposed requirements for the support account for peacekeeping operations for the period from 1 July 2010 to 30 June 2011 and $941,640 in the proposed requirements for the support account for peacekeeping operations for the period from 1 July 2011 to 30 June 2012.

97. In 2012, the reoccupancy of the Secretariat Building will draw to a close. In 2013 associated costs will sharply decline to reflect the much-reduced support activity for the renovation of the Conference Building and the General Assembly Building, principally by the Office of Central Support Services, which is responsible for managing the buildings and is actively involved in handover activities from the capital master plan, and the Department of Safety and Security, which will continue to provide security services for the campus construction site at its outer and inner perimeters. The majority of associated costs in 2013 relate to the procurement and refurbishment of furniture for the General Assembly Building and the continued implementation of the permanent broadcast facility and media assets management system, both managed by the Office of the Capital Master Plan. Expenditures for those associated activities had been approved by the General Assembly previously, but the activity has been partially rephased into 2013, reflecting the current construction schedule for the Conference Building and General Assembly Building. Cumulative expenditure to the end of 2012 is expected to amount to $127,575,900, consisting of $93,509,000 for the period from 2008 to 2011 and estimated costs of $34,067,000 for 2012, as shown in table 8 above.

98. The estimated associated costs for 2013 amount to $15,562,600. Of that amount, a total of $11,896,500 is related to activities originally planned for 2012 that have been deferred to 2013. Hence, the net estimated additional associated costs for 2013 amount to $3,666,100. Accordingly, the Secretary-General requests the General Assembly to approve expenditure of $3,666,100 for associated costs for 2013.

99. The total estimate of the associated costs of $143,138,600 compares to $146,806,000 presented in the ninth annual progress report, evidencing the Administration's endeavours to contain associated costs.

100. The expenditure incurred for the secondary data centre to 31 July 2012 amounts to $19,525,600, compared to the projected estimate of $20,700,000 reported in the ninth annual progress report. It will be recalled that the General Assembly approved funding in the amount of $4,227,690 from the support account for peacekeeping operations. Accordingly, after deducting the full amount of funding provided by the support account for peacekeeping operations ($4,227,690) and savings on prior-period obligations ($37,800), the remaining cost absorbed within the capital master plan budget amounts to $15,260,110 (see table 8 above).

IX. Status of assessments and sources of funding

101. The primary source of funding for the capital master plan comprises appropriations by the General Assembly in the amount of $1,876.7 million for the project and the commitment authority of up to $135 million for resources required, including associated costs, in accordance with resolution 66/258.

102. The secondary source of funding consists of voluntary contributions from Member States, pursuant to resolutions 57/292, 60/256 and 61/251, in which the General Assembly encouraged the Secretary-General to seek donations for the capital master plan.

103. In accordance with the donations policy that was communicated to Member States in 2009, a number of Member States elected to participate in the donations

programme, including Austria, China, Denmark, the Netherlands, New Zealand, Norway, the Russian Federation, Sweden, Switzerland and Turkey. Architects selected by interested Member States have been collaborating with the Office of the Capital Master Plan to provide design input for a specific space, to be supported through the participating Member State's donation.

104. As at 31 July 2012 a total of $10.7 million in voluntary contributions and related design amendments had been agreed upon and incorporated into the project scope. A further $3 million in voluntary contributions have been pledged by Qatar and the detailed design requests are being finalized with the architects. Taking into account the voluntary contribution from Qatar, the total amount has increased from $10.5 million previously reported to the General Assembly (see A/66/527) to $13.7 million.

105. In addition, the enhanced security upgrade project is funded from a contribution from the Government of the United States of America in the amount of $100 million.

106. The breakdown of voluntary contributions is provided in table 9 below.

Table 9
Commitments for voluntary contributions to the capital master plan
(Millions of United States dollars)

Country	*Amount*
China	1.0
Denmark	Up to 3.0
Netherlands	Up to 3.0
Norway	0.2
Qatar	3.0
Russian Federation	Up to 2.0
Sweden	0.2
Turkey	1.3
United States of America	100.0
Total	**Up to 113.7**

107. The support account for peacekeeping operations funding authorized by the General Assembly increased from $3.3 million to $4.2 million in accordance with General Assembly resolution 64/228, reflecting the cost of the secondary data centre from 31 July 2011 to 30 June 2012.

108. Table 10 provides an overview of the current aggregated funding of $2,129.6 million. This includes the authorization for the Secretary-General to enter into commitments of up to $135 million as approved by the General Assembly in its resolution 66/258.

Table 10
Financing for the capital master plan, as at 31 July 2012
(Millions of United States dollars)

Description	*Appropriations and other sources of funding*	*References*
Total appropriations from 2004 to 2011	1 876.7	Resolutions 57/292, 59/295, 60/248, 60/256, 60/282, 61/251, 62/87, 64/228
Commitment authority	135.0	Resolution 66/258 (commitment authority for the project and associated costs)
Peacekeeping support account	4.2	Resolutions 63/269 and 64/228
Voluntary contributions	13.7	
Funding for the enhanced security upgrade	100.0	
Total	**2 129.6**	

109. By paragraph 14 of its resolution 61/251, the General Assembly decided to establish two different options for the assessment and payment of costs by Member States for the capital master plan. As at 31 May 2012, 12 Member States had selected the one-time payment option and 180 Member States had selected the equal multi-year assessment for each year of a five-year period. Member States have been assessed for the total amount of $1,876.7 million approved by the General Assembly for the implementation of the project.

110. As at 31 July 2012, an amount of $6.1 million in assessments remained unpaid to the capital master plan for 2011 and prior periods. Voluntary contributions in the amount of up to $3.5 million remain outstanding.

X. Interest income and working capital reserve

111. The interest accrued on the balance of capital master plan funds as at 31 July 2012 totalled $109.4 million, an increase of $5.3 million from the level reported in the ninth progress report (A/66/527). The working capital reserve remains at $45.0 million. A residual balance of $8,335 remains unpaid to the working capital reserve.

112. Given the present cash balance of the capital master plan fund and anticipated annual return on assets of 0.4 per cent, it is estimated that the remaining cash balance may generate up to $5 million by the time the project is completed.

XI. Project expenditures and requirements for the remaining project period

113. As at 31 July 2012, project expenditure already incurred, as well as the monthly rental obligations that are firmly committed through the end of 2012, totalled approximately $1,792.4 million, or 95.5 per cent of the approved budget. The consolidated expenditures, which include the associated costs and the secondary data centre cost for the same period, total $1,913.4 million (see table 11 below).

114. The cost to complete the project has been reduced by $25.8 million to $2,127.8 million, as discussed in section VIII.A. The associated cost requirements decreased to $143.1 million (see table 8) based on the latest estimates, as explained in section VIII.B.

115. The status of the consolidated expenditures and additional requirements are summarized in tables 11 and 12 below.

Table 11
Consolidated capital master plan expenditure for the period 2002-2011, as at 31 July 2012
(Thousands of United States dollars)

	Expenditure						
Description	*2001 and prior years*	*2002-2003*	*2004-2005*	*2006-2007*	*2008-2009*	*2010-2011*	*Total for the period ending 31 December 2011*
Capital master plan project							
Design contractual services	–	612.1	12 298.0	35 751.7	62 246.9	35 615.3	146 524.0
Staff costs for the Office of the Capital Master Plan	–	1 611.1	3 179.2	3 908.3	5 967.6	6 520.7	21 186.9
Support staff costs	–	180.6	1 167.6	1 545.2	3 333.9	3 943.3	10 170.6
Operating and other costs	–	556.0	1 067.4	1 321.1	4 398.9	1 738.0	9 081.4
Programme management and other consultants	–	245.7	3 131.4	8 642.2	18 158,7	2 321.0	32 499.0
Construction and pre-construction	–	–	–	7 022.0	362 416.8	531 777.2	901 216.0
Swing space costs (including rent)	–	–	506.3	24 729.2	356 928.9	119 342.5	501 506.9
Subtotal	**–**	**3 205.5**	**21 349.9**	**82 919.7**	**813 451.7**	**701 258.0**	**1 622 184.8**
Prior-period adjustments	6 881.0	1 100.5	–	–	–	–	7 981.5
Adjusted project expenditure	**6 881.0**	**4 306.0**	**21 349.9**	**82 919.7**	**813 451.7**	**701 258.0**	**1 630 166.3**
Savings on prior-period obligations	–	–	(19.0)	(1 522.0)	(3 493.0)	(19 723.0)	(24 757.0)
Total, capital master plan project expenditure	**6 881.0**	**4 306.0**	**21 330.9**	**81 397.7**	**809 958.7**	**681 535.0**	**1 605 409.3**
Associated costs					18 373.2	75 135.8	93 509.0
Prior-period adjustments, including savings on obligations					158.4	611.5	769.9
Total, associated costs					**18 531.6**	**75 747.3**	**94 278.9**
Secondary data centre					5 144.0	13 440.0	18 584.0
Savings on prior-period obligations					–	(4.0)	(4.0)
Expenditure attributable to support account funding					–	–	
Total, secondary data centre					**5 144.0**	**13 436.0**	**18 580.0**
Grand total	**6 881.0**	**4 306.0**	**21 330.9**	**81 397.7**	**833 634.3**	**770 718.3**	**1 718 268.2**

Table 12

Consolidated capital master plan expenditure and requirements until project completion, for the period 2012-2014, as at 31 July 2012

(Thousands of United States dollars)

	Expenditure		*Additional requirements*			
Description	*January to July 2012*	*Total for the period ending 31 July 2012*	*August to December 2012*	*2013*	*2014*	*Total*
Capital master plan project						
Design contractual services	7 748.5	154 272.5	4 894.2	5 000.0	–	164 166.7
Staff costs for the Office of the Capital Master Plan	2 037.1	23 224.0	1 386.5	2 662.0	1 386.5	28 659.0
Support staff costs	983.7	11 154.3	622.9	1 996.0	622.9	14 396.1
Operating and other costs	1 211.0	10 292.4	277.8	208.2	104.2	10 882.6
Programme management and other consultants	10 751.7	43 250.7	–	15 000.0	–	58 250.7
Construction and pre-construction	167 546.6	1 068 762.6	104 767.5	189 323.1	11 866.7	1 374 719.9
Swing space costs (including rent)	37 116.3	538 623.2	–	23 789.7	1 155.6	563 568.5
Subtotal	**227 394.9**	**1 849 579.7**	**111 948.9**	**237 979.0**	**15 135.9**	**2 214 643.5**
Prior-period adjustments	–	7 981.5	–	–	–	7 981.5
Adjusted project costs	**227 394.9**	**1 857 561.2**	**111 948.9**	**237 979.0**	**15 135.9**	**2 222 625.0**
Savings on prior-period obligations	(40 416.9)	(65 173.9)	(29 000.0)	(701.1)	–	(94 875.0)
Total, capital master plan project costs	**186 978.0**	**1 792 387.3**	**82 948.9**	**237 277.9**	**15 135.9**	**2 127 750.0**
Associated costs	7 914.8	101 423.8	26 152.2	15 562.6	–	143 138.6
Prior-period adjustments, including savings on obligations	(620.3)	149.6				149.6
Total, associated costs	**7 294.5**	**101 573.4**	**26 152.2**	**15 562.6**	–	**143 288.2**
Secondary data centre	941.6	19 525.6	–	–	–	19 525.6
Savings on prior-period obligations	(33.8)	(37.8)	–	–	–	(37.8)
Expenditure attributable to the Support Account funding		–	–	–	–	(4 227.7)
Total, secondary data centre	**907.8**	**19 487.8**	–	–	–	**15 260.1**
Grand total	**195 180.3**	**1 913 448.5**	**109 101.1**	**252 840.5**	**15 135.9**	**2 286 298.3**

116. For ease of reference, the additional annual requirements for the remainder of the capital master plan are summarized in table 13 below. It should be noted that there are no further requirements in respect of the secondary data centre

Table 13
Summary of requirements for the period from August 2012 to 2014, as at 31 July 2012
(Thousands of United States dollars)

Description	*Remaining requirements for 2012*	*2013*	*2014*	*Total*
Project cost	82 948.9[a]	237 277.9	15 135.9	335 362.7
Associated costs	26 152.2[b]	15 562.6	–	41 714.8
Total	**109 101.1**	**252 840.5**	**15 135.9**	**377 077.5**

[a] August through December 2012.
[b] June through December 2012.

XII. Cost saving and financing proposals

117. In section III, paragraph 9, of General Assembly resolution 66/258, the Secretary-General was requested to report to the Assembly at its sixty-seventh session on practical options to reduce or offset the overall projected costs and to finance such commitments while remaining within the approved budget and scope of the project. The present section sets out the proposals of the Secretary-General in that regard.

118. In response to the request of the General Assembly that the project be completed on budget, the Secretary-General proposes cost reduction options amounting to $81 million. Subject to the approval of the proposed cost reduction options by the General Assembly, the requirements in estimated project costs would not give rise to an additional assessment for the capital master plan over and above the utilization of the accumulated interest and working capital reserve. These proposals are summarized in table 14.

Table 14

Capital master plan project shortfall and cost saving and financing proposals

(Millions of United States dollars)

Description	*Project shortfall*	*Associated costs*	*Secondary data centre*	*Total*
Capital master plan project shortfall	215.6	–	–	215.6
Office space rental from October 2012[a]	24.8	–	–	24.8
Total capital master plan shortfall[b]	**240.4**	**–**	**–**	**240.4**
Associated costs	–	143.1	–	143.1
Secondary data centre	–	–	19.5	19.5
Funds received from the support account			(4.2)	(4.2)
Total consolidated capital master plan shortfall	**240.4**	**143.1**	**15.3**	**398.8**
Proposals for reduction of the shortfall				
Proposed cost savings				
Deferred removal of temporary North Lawn Building and installation of final landscape on North Lawn	(2.0)			
Deferred refurbishment of fixed furniture in conference room 4	(1.0)			
Reduction of landscaping budget to minimal requirements	(7.0)			
Refurbishment, rather than purchase, of various security devices	(0.6)			
Renovation and equipment cost for Vienna café, visitors' coffee shop, ex-press bar, gift shop, and book store paid by vendors	(1.0)			
Mail screening facility costs to be considered for absorption by the Department of Safety and Security	(0.2)			
Remaining basement moves, signage for remaining staff work stations, overall signage, parking system, maintenance contract on elevators for first year to be considered for absorption by the Facilities Management Service	(2.3)			
Other capital master plan cost savings in discussion	(1.9)			
Total proposed cost savings	**(16.0)**			**(16.0)**
Continued suspension of the renovation of the Library and South Annex Buildings	**(65.0)**			**(65.0)**
Total cost saving proposals and suspension of renovations	**(81.0)**			**(81.0)**
Proposed consolidated capital master plan shortfall	**159.4**	**143.1**	**15.3**	**317.8**
Financing proposals				
Application of accumulated interest income and working capital reserve	(154.4)			(154.4)
Application of projected future interest income	(5.0)			(5.0)
Remaining shortfall	**–**	**143.1**	**15.3**	**158.4**

[a] See table 7.

[b] See table 6.

Capital master plan project

119. It is proposed to realize additional cost savings of $16 million (see table 14). On the basis of a decision to be made by the General Assembly with regard to the future disposal of the North Lawn Building, any future operating costs relating to the building's maintenance would be considered in the context of the proposed programme budget for the biennium 2014-2015. Preliminary estimates by the Office of Central Support Services indicate that the operating expenses could be approximately $0.5 million per annum depending on the level of occupancy of the building.

120. It is also proposed to continue the suspension of design and renovation of the Library and South Annex Buildings pending resolution of security protection requirements as explained in paragraphs 37 and 38 above. This would decrease the capital master plan project costs by $65 million.

121. It is further proposed to apply the interest income and working capital reserve in the amount of $154.4 million to the present cash balance. The future interest income, estimated at $5 million, would also be applied.

Associated costs and the secondary data centre

122. As noted in table 14, the estimated cumulative expenditure for associated costs to the end of 2013 amounts to $143.1 million. As regards the secondary data centre, after deducting the resources approved from the support account for peacekeeping operations, the cost of the secondary data centre is $15.3 million.

123. Every effort will continue to be made to absorb the costs of these activities. However, given the current stage of the project and significant amount incurred and required, this objective is unlikely to be met within the budget. The Secretary-General recommends that the General Assembly decide on the funding for these costs at its sixty-eighth session, when the final expenditures are known with certainty.

XIII. Summary of recommendations and actions to be taken by the General Assembly

A. Recommendations in respect of commitment authority and future requirements

124. During the first part of its resumed sixty-sixth session, in March 2012, the General Assembly authorized the Secretary-General to enter into commitments up to an amount of $135 million for 2012 (see section IX above). At that time, estimated requirements for 2013 and 2014 were $260.9 million and $20.3 million, respectively. As illustrated in table 13 above, those requirements have decreased to $252.8 million for 2013 and $15.1 million for 2014. The requirements could be further significantly reduced if the General Assembly were to approve the proposals summarized in section XII above. Subject to the approval of the General Assembly, the proposed measures would reduce the estimated future requirements as illustrated in table 15 below.

Table 15
Summary of requirements for the period from August 2012 to 2014, revised to reflect the proposals of the Secretary-General
(Thousands of United States dollars)

Description	*Remaining requirements for 2012*	*2013*	*2014*	*Total*
Project cost	82 948.9[a]	237 277.9	15 135.9	335 362.7
Associated costs	26 152.2[b]	15 562.6	–	41 714.8
Total requirements	**109 101.1**	**252 840.5**	**15 135.9**	**377 077.5**
Commitment authority available through the end of 2012[c]	(113 168.2)	–	–	(113 168.2)
Cost saving proposals presented in table 14	–	(81 000.0)	–	(81 000.0)
Unutilized commitment authority/net requirements	(4 067.4)	171 840.5	15 135.9	182 909.3
Carry-over of 2012 unutilized commitment authority into 2013		(4 067.4)		
Adjusted resource requirements	–	**167 773.4**	**15 135.9**	**182 909.3**

[a] August through December 2012.
[b] June through December 2012.
[c] The commitment authority available through the end of 2012 of $113,168,200 consists of the approved balance of $135,000,000 less the utilized balance of $21,831,800, comprising:

Total expenditure for the period ended 31 July 2012 (see table 12 above)	1 913 448.5
Less: approved budget for the capital master plan	(1 876 700.0)
Less: voluntary donations from Member States	(10 689.0)
Less: support account contribution to the cost of the secondary data centre	(4 227.7)
Utilized balance	21 831.8

125. The Secretary-General recommends the extension of approved commitment authority for 2012 into 2013 in the estimated amount of $4,067,400 and recommends additional commitment authority for 2013 in the amount of $167,773,400. He also recommends that the total available commitment authority be increased to $302,773,400. This would defer the need for a decision on the financing of the project costs for 2014 and the funding of associated costs and secondary data centre until the sixty-eighth session of the General Assembly, when the final accumulated associated costs and the costs of secondary data centre are known.

126. The Secretary-General requests that the General Assembly authorize the application of the accumulated interest income ($109,400,000) and the working capital reserve ($45,000,000) to the present cash balance. In addition, the Assembly is requested to authorize the application of future interest income, currently estimated at $5,000,000, to the cash balance. This would ensure that the project has sufficient cash to meet its continued requirements without hindering the progress of the project.

127. The final expenditures for the associated costs and the secondary data centre for 2012 and 2013, together with the accumulated expenditures for the period 2008 to 2011, will be reported to the General Assembly at its sixty-eighth session, in 2013. The information will be provided as an addendum to the eleventh annual progress report and will include proposals for financing the accumulated

expenditures of the associated costs and the secondary data centre. It is proposed that the General Assembly decide on the funding of these costs, in conjunction with its consideration of the second performance report on the programme budget for the biennium 2012-2013.

B. Actions to be taken by the General Assembly

128. **The Secretary-General recommends that the General Assembly:**

(a) Take note of the progress made since the issuance of the ninth annual progress report;

(b) Request the Secretary-General to continue to report on the status of the project, the schedule, the aggregate estimated cost to complete, the status of contributions, interest and the working capital reserve;

(c) Approve the cost savings and financing proposals reflected in section XII above, including the application of interest income and the working capital reserve to the present cash balance;

(d) Approve the extension of the approved commitment authority for 2012 into 2013;

(e) Approve additional commitment authority in the amount of $167,773,400 for project activities in 2013;

(f) Take note of the resource requirements of $15,135,900 for the project in 2014;

(g) Note the overall total associated costs of the capital master plan for the period from 2008 to 2013, in the amount of $143,138,600;

(h) Note the associated costs for the year 2013 in the amount of $15,562,600, broken down as follows:

(i) $2,389,800 for the Office of Central Support Services;

(ii) $9,959,400 for the Office of the Capital Master Plan;

(iii) $230,000 for construction, alteration, improvement and major maintenance activities at Headquarters;

(iv) $2,983,400 for the Department of Safety and Security.

(i) Approve a net amount of $3,666,100 for associated costs in 2013, after taking into account the estimated unutilized balance of $11,896,500 for the period 2008-2012;

(j) Request the Secretary-General to report to it on the final expenditure for associated costs for the period 2008-2013 at its sixty-eighth session.